

Message Text

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71

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

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E.O. 11652 NA

TAGS: EFIN, BE

SUBJECT: BF REVALUATION SUGGESTED

1. MARK EYSKENS, PROFESSOR AT LOUVAIN UNIVERSITY AND SON OF FORMER PRIME MINISTER, WROTE ARTICLE FOR JULY 25 DE STANDAARD SUGGESTING REVALUATION OF BELGIAN FRANCS AS ANTI-INFLATION MEASURE. HE DEPLORED LACK OF EC COUNTRY UNITY IN FIGHTING INFLATION AND NOTED THAT BELGIUM, AS SMALL COUNTRY HEAVILY DEPENDENT ON FOREIGN TRADE, CAN ALONE TAKE LITTLE EFFECTIVE ANTI-INFLATIONARY ACTION, ALTHOUGH PUBLIC EXPENDITURES AND WAGES COULD BE HELD DOWN. HE ADDED THAT IN BELGIUM, HOWEVER, THIS IS A LABOR OF HERCULES AND NORMALLY COMES TOO LATE, ESPECIALLY SINCE INFLATION IS MORE AND MORE ACCEPTED AS A STRUCTURAL ADJUNCT TO RAPID ECONOMIC GROWTH.

2. EYSKENS THEN WONDERS WHY BF REVALUATION HAS NOT BEEN CONSIDERED, SINCE IT WOULD MAKE IMPORTS CHEAPER, INCLUDING 25 PERCENT THAT COMES FROM FRG. HE POINTS OUT THAT BELGIAN BALANCE OF PAYMENTS FOR FIRST QUARTER OF 1973 SHOWS FB 9.4 BILLION OVERALL SURPLUS AND CURRENT ACCOUNT SURPLUS OF BF 18.3 BILLION, AND THAT 'FOREIGNERS MAY SEE THIS AS EVIDENCE THAT BF IS UNDERRATED'. EYSKENS ACKNOWLEDGES PROBLEM REVALUATION POSES FOR EXPORTS, AND SUGGESTS THAT SOME KIND OF SUPPORT MIGHT

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BE GIVEN TO EXPORTS TO NON- EC MARKETS.

BOOCHEVER

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